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UNCLAS SECTION 01 OF 03 KUWAIT 003809

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E.O. 12958: N/A

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SUBJECT: NATIONAL BANK OF KUWAIT CEO DISCUSSES REGIONAL
BANKING, TERRORIST FINANCE AND OTHER REGULATIONS

1. (SBU) Summary. In a meeting with the Ambassador on August 22, Ibrahim Dabdoub, the CEO of the National Bank of Kuwait (NBK--largest Kuwaiti bank and third largest in the Middle East), made the following key points: (1) NBK has outgrown the Kuwaiti market and continues to expand worldwide; (2) regional efforts to counter terror finance (TF) and money laundering (ML) are improving; (3) NBK cannot afford to be complacent against the threat of TF and ML and will take necessary precautions; (4) NBK remains highly profitable as it recruits and invests in the best talent and technologies; (5) Kuwait is ripe for its version of a "Securities and Exchange Commission" to oversee the growing stock market; and (6) corruption in the government is on the rise as a result of the country's booming economy. End Summary

NBK's Global Expansion Plans

2. (U) On August 22, Ambassador met with Ibrahim Dabdoub, CEO of the National Bank of Kuwait (NBK), the largest bank in Kuwait (47 per cent market share) and the third largest in the Middle East. Dabdoub runs the day-to-day operations of the bank and remains a pivotal figure in the continued success of the bank since his appointment as CEO in 1983. Dabdoub highlighted the NBK's extensive international presence in New York, Geneva, London, Singapore, Paris, Lebanon and recent acquisitions in Iraq (85 percent share in Al-Kubba family bank), Qatar, Bahrain, Jordan, and China (described as a "listening post"), and possibly Saudi Arabia in the future. In response to the Ambassador's comment that foreign banks were a little slow in entering the Kuwaiti market, Dabdoub said that the newcomers, most notably HSBC, BNP Paribas, and soon Citibank as well, would face stiff competition and would have difficulty competing with NBK's dominance of the Kuwaiti market. They would most likely focus on large project financing.

3. (U) Dabdoub expressed confidence in NBK's international reputation and commitment to meeting the highest performance standards. He noted that complacency would put at risk the entire NBK operation, and that NBK's success was rooted in its ability to recruit the best talent and invest in the best technologies. The bank's solid reputation, according to Dabdoub, was key in convincing UK authorities to grant an operating license to the NBK London branch which then ran NBK's overall operations and ensured the NBK's survival during the Iraqi occupation of Kuwait.

Terror Finance and Money Laundering

4. (SBU) The Ambassador underscored the United States' continued focus on clamping down on terror financing (TF) and money laundering (ML). Dabdoub commented that efforts to counter TF/ML were improving in comparison to past regional practices. He described TF/ML as a difficult challenge but one that could be addressed with a variety of approaches. With regards to the NBK's efforts, Dabdoub underscored the bank's commitment to protecting its reputation and avoiding complacency at all cost. He pointed to the bank's investment in a million dollar software warning system that detects and tracks any suspicious financial activities. He went on to say that terrorists are discouraged from using the NBK for their financial needs, and would be more inclined to operate out of less sophisticated banks. He shared the Ambassador's concern about charitable organizations and exchange houses that are more vulnerable to exploitation. Dabdoub pointed out that to avoid even the appearance of possible impropriety NBK closed the accounts of a Kuwaiti Islamic charitable organization that was making repeated transactions just below the level that required mandatory checks. Dabdoub explained that although NBK had no particular reason to question the transfers he felt more comfortable not handling the charity's business.

Kuwait in Need of an SEC

15. (SBU) With regard to the Kuwaiti investment sector, Dabdoub praised the efforts of the Kuwaiti Central Bank as "the best in the region," but concurred with the Ambassador's assessment for the establishment of a Kuwaiti "Securities and Exchange Commission" to ensure proper oversight of the Kuwaiti stock market. While noting that "irrational exuberance" was more evident in Dubai and Saudi Arabia, Dabdoub did express some concern about the pace and scope of the booming real estate market in Kuwait. The Ambassador cautioned that the stock market's reliance on and reaction to the profitability of one company (Public Warehousing Corporation) was indicative of a shallow market. Dabdoub seconded the Ambassador's concern about the threat of corruption in Kuwait. Dabdoub described it as rampant and widespread, linking the unprecedented rise in corruption to the country's economic boom and the desire by many to copy their neighbors by acquiring a "new Mercedes-Benz."

NBK Hiring Practices

16. (U) Dabdoub noted that half of NBK's staff is required by law to be Kuwaiti nationals and that 95 percent of the branch managers are Kuwaiti. On the other hand, NBK is also comprised of 40 different nationalities, with women comprising over half (55 percent) of the bank's staff. Dabdoub was quick to point out that the women outperform the men, in his opinion, and that one of the bank's five group heads is a woman, Sheikha Al-Bahar. (Note: the Chairman of the Bank is Sheikh Mohammad Al-Bahar, from the prominent Al-Bahar merchant family.) Dabdoub explained that senior executives are recruited through two U.S. recruiting firms (Corn Ferry and Russell Reynolds) whereas mid-level officers are recruited primarily through Arab recruiting firms in Dubai. Dabdoub hand picks the bank's future leaders for additional training, which includes annual seminars by Harvard Business School. He noted that the bank hires many of its entry-level associates from the cadre of MBA graduates from the American Universities in Beirut and Cairo, with first preference to AUB.

Grooming Future NBK Leaders

17. (SBU) In response to the Ambassador's question about succession in the bank's senior leadership (Dabdoub has been CEO for 23 years), the CEO noted that succession plans are in place for himself and each of the other five Group Heads of the bank. He pointed out that his successor as CEO will be Issam Al-Sagar, a member of the wealthy and influential Al-Sagar merchant family. (Note: Al-Sagar's older brother is Mohammed Jassem Al-Sagar, member of parliament and the head of the National Assembly's Foreign Affairs Committee. The Al-Sagar family is a founding member of the NBK and holds a significant share of the bank's capital stock.) Dabdoub praised his good working relations with the Al-Sagar family and the historical role played by merchant families in the establishment of the Kuwaiti state, pointing to the families' honesty as key factors in their continued financial success.

Kuwait in the International Arena

18. (U) Dabdoub is planning to attend the annual World Bank/IMF meetings this year, and will likely participate in the upcoming U.S.-Arab Economic Forum in Houston. The Ambassador underscored the importance of ensuring Kuwaiti representation at these and other international economic conferences. Dabdoub agreed and noted that that participation of the Kuwaiti Minister of Energy at this year's World Economic Forum in Davos, Switzerland was an encouraging development. He informed the Ambassador of plans for an upcoming Kuwait Economic Forum with the possibility of former Secretary Powell appearing as keynote speaker.

Bio Note

19. (U) Ibrahim Dabdoub (a Christian) was born in Bethlehem and received his primary and secondary education at the French School there before enrolling in the Middle East Technical Institute (METI) in Ankara, Turkey in 1957. Many of the NBK's senior leadership are METI graduates. After graduation from METI in 1961, Dabdoub decided to seek employment in Kuwait rather than pursuing opportunities in Saudi Arabia. He was appointed NBK CEO in 1983 and does not plan an early retirement. His designated successor, Issam

Al-Sagar, has been with the bank for two decades and appears to be in his early 40s. Al-Sagar is the nephew of Abdulaziz Al-Sagar, NBK's first chairman (1960-65) and Kuwait's first Speaker of Parliament. Dabdoub serves on numerous boards, including Georgetown University's Center for Contemporary Arab Studies and the Council on Foreign Relations. Although Dabdoub retains his interest in selecting and grooming the bank's future leaders, he spends a lot of time traveling abroad on business.

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